



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

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TREASURER ANGELIDES, SENATOR BURTON ANNOUNCE NEW BILL ELIMINATING UNNECESSARY GAS GUZZLERS FROM STATE FLEET

*Measure Targeting 73,000 State-Owned Vehicles Would Cut Fuel Costs,
Reduce Air Pollution and Save Taxpayer Dollars*

SAN FRANCISCO, CA – Joined by prominent environmental leaders including actress and activist Julia Louis-Dreyfus, State Treasurer Phil Angelides and Senate President pro Tem John Burton today unveiled legislation to cut air pollution, save taxpayer dollars and reduce the State's dependence on oil by weeding out potentially thousands of unnecessary gas guzzlers from California's fleet of 73,000 state-owned vehicles.

California would be the first state in the nation to have such a law, setting a national precedent for environmental and fiscal stewardship. Under the bill, which will be introduced by Burton, D-San Francisco, and sponsored by Angelides, State agencies would be authorized to purchase or lease SUVs only when they are needed under emergency conditions or for law enforcement or security purposes.

By limiting the State's purchase of sport utility vehicles (SUVs) only to jobs where they are actually needed – and replacing the others with cleaner-burning, more efficient vehicles – taxpayers could save more than \$14 million in vehicle and fuel costs in just the first five years, under the legislation proposed today. The new measure guarantees that police, fire fighters and other public safety personnel would continue to have access to the appropriate vehicles they need to get their jobs done.

In addition to Louis-Dreyfus, those joining Angelides and Burton at the news conference here at the Commonwealth Club included Natural Resources Defense Council (NRDC) Trustee Laurie David. In addition to the NRDC, other environmental groups represented included the Sierra Club, Planning and Conservation League and Global Green.

"SUVs are one of the primary reasons that the average new vehicle fuel consumption rate for the model year 2003 actually is 6 percent *higher* than it was in 1988," Angelides said at a news conference here at the Commonwealth Club. "These higher fuel consumption rates contribute to air pollution, and that is simply unacceptable in a State that is home to nine of the 10 most ozone-polluted counties in the country."

Burton said, “With some of the concerns surrounding SUVs – harmful emissions, lower fuel efficiency, rollover potential and danger to other vehicles on the road – it just makes sense where we can to move the State’s fleet in a safer, healthier direction.”

The legislative proposal to limit the State’s purchase or lease of expensive SUVs comes at a time when the Bush administration and Republican congressional leaders in Washington are moving in a dramatically different direction. Federal lawmakers recently quadrupled a special loophole, referred to by opponents as the “Hummer Deduction,” which allows small business owners to write off on their taxes up to \$100,000 in just one year on the purchase of any of 38 of the largest SUV gas-guzzlers. Those heavyweight SUVs exceed weight limits intended to exclude luxury passenger vehicles.

In California, today there is no statewide policy that addresses the purchase or use of SUVs, but a new report on the State’s motor pool (*California State Vehicle Fleet Fuel Efficiency Report: Volume I*, April 2003) recommends that the State implement a policy that would discourage agencies from purchasing the more costly, less fuel-efficient SUVs.

The Treasurer’s Office estimates that under the proposed legislation, taxpayers would save approximately \$14.3 million in the first five years after the law took effect, if the State were to cut by 75% its annual purchases of SUVs and the fuel needed for those vehicles.

“At a time when the State is facing unprecedented financial challenges, and the price of gasoline has been volatile and unpredictable,” Angelides said, “the State must reexamine any and all ways that it can cut costs and save money with its motor pool. If we can help clear the State’s air, and save the taxpayers money doing so, that’s a smart investment in the State’s future.”

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Limiting State Purchases and Leases of SUVs

FACT SHEET

SUMMARY

Proposed legislation, authored by Sen. John Burton and sponsored by State Treasurer Phil Angelides, would restrict the State of California and any of its agencies from purchasing or leasing sport utility vehicles (SUVs), unless the agency received an exemption from the Director of the Department of General Services (DGS). The DGS Director could issue an exemption only if the SUV were necessary for: off-road use or emergency use in severe weather conditions; or law enforcement and related security purposes.

Three state agencies could authorize their own exemptions: the California Highway Patrol (CHP), Office of Homeland Security (OHS) and Office of Emergency Services (OES). When an SUV purchase or lease is authorized, the State would be required to give priority to alternative fuel and hybrid vehicles. In addition, the legislation would require DGS and the three other agencies to evaluate their vehicle fleets to determine whether it would be cost-effective to sell off their existing SUVs. The legislation also would require DGS to publish, on its web site, an annual report to the Legislature on the size and composition of the State vehicle fleet, including the number of SUVs purchased or leased that year, by agency, the cost of SUVs purchased or leased and all vehicles purchased or leased, and the justification for and agency responsible for each SUV purchase or lease.

OBJECTIVES

- 1) To reduce air pollution and excessive gas consumption caused by vehicles that are not fuel-efficient.
- 2) To reduce taxpayer dollars that the State spends on SUVs, where other less expensive vehicles are appropriate.
- 3) To reduce taxpayer dollars wasted on gasoline and diesel purchases for vehicles that are not fuel-efficient.

A new State mandate to limit the purchase or lease of SUVs will result in fewer pollutants being emitted into the atmosphere and will save taxpayers money. SUVs are held to lower environmental standards than traditional passenger cars. As a consequence, most SUVs are permitted to emit significantly more carbon monoxide (CO), hydrocarbons and nitrogen oxides (NOx) than passenger cars.

In addition, the Treasurer's Office has estimated that taxpayers would save approximately \$14.3 million over the first five years of a limit on SUV purchases/leases, as proposed by the legislation, if the State were to cut by 75 percent its annual purchases of SUVs and the additional fuel needed for those less efficient vehicles.

This savings is based on a conservative assumption that SUVs constitute 7.4 percent of all new state vehicle purchases annually. (SUVs today constitute 7.4 percent of the DGS fleet. The State does not currently have systemwide data regarding how many SUVs are in the State's fleet or how many SUVs are purchased annually.) These cost estimates do not include savings that might result if the State were to sell off existing SUVs and replace them with less costly, more fuel-efficient vehicles.

BACKGROUND

Air pollution continues to be an important public health concern, according to the California Air Resources Board. The Board's air monitoring shows that more than 90 percent of Californians breathe unhealthy levels of one or more air pollutants during some part of the year.

California has the unfortunate claim of being home to four of the top 10 metropolitan areas in the nation with the worst air pollution, according to the U.S. Environmental Protection Agency, including the top three (Riverside-San Bernardino, Bakersfield and Fresno; Sacramento is seventh). As, noted by the EPA, pollution from cars and trucks is a significant contributor to this poor air quality.

At a time when the State is facing unprecedented fiscal challenges, and the price of gasoline has been volatile and unpredictable, the State must re-examine any and all ways that it can cut costs and save money on its motor pool in a way that also clears the air of excessive, harmful air pollutants produced by fuel-inefficient vehicles. Today, California's vehicle fleet is one of the largest public fleets in the world. State agencies, including the University of California and California State University systems, operate nearly 73,000 vehicles that each year consume approximately 46 million gallons of gasoline and nine million gallons of diesel fuel.

To that end, limiting State purchases or leases of any new SUVs, except under certain circumstances, would significantly reduce the costs to taxpayers of operating the State motor fleet, and also would reduce the environmental pollutants produced by that fleet. Generally, non-SUV vehicles cost significantly less than SUVs to purchase, they consume significantly less gasoline and so their lifetime fuel costs are significantly less, and they produce significantly fewer pollutants.

Indeed, the growing use of heavier, more powerful SUVs in California and throughout the country has resulted in overall new vehicle fuel economy actually worsening, rather than improving, in recent years. A new U.S. Environmental Protection Agency report says that nearly one in every four light vehicles sold today is an SUV, a 24 percent market share that has ballooned from less than a 2 percent share in 1975. (Light vehicles include passenger cars,

SUVs, vans and small pickup trucks.) As a consequence, according to the EPA report, the average new vehicle fuel economy for model year 2003 light vehicles is 20.8 miles per gallon, or 6 percent lower than 1988, when new vehicle fuel economy peaked at 22.1 miles per gallon.

The California legislative proposal to limit the State's purchase or lease of expensive SUVs comes at a time when the Bush administration and Republican congressional leaders in Washington are moving in a dramatically different direction. Lawmakers there recently approved a massive increase in the tax deduction for individuals with small businesses that purchase certain SUVs. The Bush administration proposed raising the current deduction from \$25,000 to \$75,000; Congress boosted it to \$100,000. The definition of a "small business" potentially could include anyone filing as "self-employed." The NRDC, which advocates elimination of the SUV tax loophole, estimates that 38 SUV models today are heavy enough – 6,000 pounds or more – to qualify for the deduction.

In addition to the added financial and environmental costs of SUVs, other recent federal studies have concluded that despite their size, SUVs actually pose a greater threat to drivers and occupants than other vehicles because of their greater potential to roll over in collisions and other accidents. The National Highway Traffic Safety Administration (NHTSA) reported in April that the number of traffic deaths rose in 2002 to its highest level since 1990. The NHTSA reported that more than half the 734 increased deaths last year, compared with 2001, resulted from rollover crashes involving SUVs and pick-up trucks.

POLICY

Today, there is no statewide policy that addresses the State's purchase or use of SUVs. Indeed, today there is not even a centralized system that tracks State vehicle purchases or ownership; this legislation would change that, and require such record keeping. While the Governor's Office in February imposed a ban on the purchase of all state vehicles for non-emergency use until further notice, a long-term state policy is needed. In fact, a new State report on the State's motor pool (*California State Vehicle Fleet Fuel Efficiency Report: Volume I*, April 2003) recommends that the State implement an SUV purchase policy:

"As a matter of policy, the State should discourage agencies from purchasing SUVs, unless they document a critical need. To complement this, the [Department of General Services] should develop guiding principles that govern purchasing SUVs," according to the report, prepared by the California Energy Commission, California Air Resources Board and DGS. This legislation builds on this report's recommendations, in enacting a limit, with certain exceptions, on SUV purchases and leases.

There are indications that some State agencies have already begun to re-examine their purchasing policies as they relate to SUVs, prompted in part by federal mandates. The Federal Energy Policy Act, for example, requires that 75 percent of the light-duty vehicles that the State purchases each year be "capable of running on an alternative fuel," excluding hybrid vehicles. In addition, the DGS Office of Fleet Administration has acknowledged that assigning employees front-wheel drive sedans or 2WD pick-up trucks can gain greater fuel efficiency for the fleet. And the California Department of

Transportation (CALTRANS) reports that it has begun eliminating SUVs and other vehicles with heavy fuel consumption, and phasing in hybrid vehicles that operate on natural gas and/or electricity.

Because the federal government holds SUVs to lower environmental standards than traditional passenger cars, SUVs can produce 30 percent more carbon monoxide (CO) and hydrocarbons and 75 percent more nitrogen oxides (NOx) than passenger cars. These double standards were instituted years ago because light trucks and sport utility vehicles were traditionally used for farm and commercial use.

These pollutants contribute to eye and throat irritation, coughing, nausea, dizziness, fatigue, confusion and headaches. Hydrocarbons and nitrogen oxides are precursors to ground level ozone, which causes asthma and lung damage. CO, for example, reduces the ability of the blood to carry oxygen, and is particularly dangerous to smokers, persons with heart disease, and those with anemia or heart disease. CO can also cause permanent damage to the nervous system.

COST-SAVINGS ESTIMATES
(If annual SUV purchases/leases are reduced 75 percent)
(Savings estimates in millions of dollars)

<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>5-Year Total</u>
\$2.6	\$2.7	\$2.9	\$3.0	\$3.1	\$14.3

The cost savings estimates assume the following:

- The State purchases 5,057 new vehicles each year, and SUVs comprise 7.4 percent (or 374 vehicles) of that total. The State does not currently have systemwide data regarding how many SUVs are in the State's fleet or how many SUVs are purchased annually. The 7.4 percent figure is based on the fact that DGS has indicated that SUVs represent about 7.4 percent of the DGS vehicle fleet. (This appears to be a conservative assumption, based on the fact that DGS monthly vehicle auction data indicate that SUVs are a growing percentage of the State fleet. In May and June, for example, SUVs represent on average 10 percent of the vehicles being auctioned.) The annual new-vehicle purchase estimate is based on the average number of new vehicles the State has purchased each year for the last three years.
- SUV purchases are reduced 75 percent each year, or by 280 vehicles, to 94 SUVs from 374 SUVs.
- The State's average purchase price for a new SUV, according to DGS data, is \$23,143, and the average purchase price for a compact/midsize sedan is \$14,269. Should new sedans be purchased instead of new SUVs, then the average savings per new vehicle would be \$8,874.
- The State's average annual fuel cost for an SUV, according to EPA data, is \$1,370, and the average annual fuel cost for a compact/midsize sedan is \$926. So, purchasing new sedans instead of new SUVs would result in average annual fuel-purchase savings of \$444 per new vehicle, assuming 15,000 miles a year per vehicle.
- Estimated total savings per new vehicle each year – purchase price and fuel costs – would be \$9,318. In addition, in the second through fifth years, there would be continued fuel savings for vehicles purchased in the previous years.

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**LEGISLATIVE PROPOSAL TO LIMIT
STATE PURCHASES AND LEASES OF SUVs**

Objectives

1. Reduce air pollution and excessive gas consumption caused by use of fuel – inefficient vehicles
2. Reduce taxpayer dollars spent by State on SUVs where other less expensive vehicles are appropriate
3. Reduce tax dollars wasted on gasoline purchases for vehicles that are not fuel-efficient

Proposal

Limit on State Purchases and Leases of SUVs

- State purchase or lease of passenger-type motor vehicles shall not include Sport Utility Vehicles (SUVs) absent a specific finding that such a vehicle is necessary for:
 - ✓ Off-road use or emergency use in severe weather conditions; or
 - ✓ Law enforcement and related security purposes.
- The authority to approve purchases or leases of SUVs shall rest solely with the Director of the Department of General Services (DGS) and shall not be delegated to other state offices, agencies, or departments, except that the California Highway Patrol (CHP), Office of Homeland Security (OHS), and Office of Emergency Services (OES) shall have authority to approve such purchases or leases for those entities.
- In making the determination whether an SUV may be purchased or leased, DGS, CHP, OHS, and OES shall first consider factors including but not limited to: whether other appropriate vehicles are already available; and whether there are less expensive or more fuel-efficient alternatives.
- In purchasing and leasing SUVs, and consistent with existing state and federal law, the State shall give priority to alternative fuel and hybrid vehicles.
- DGS, as well as CHP, OHS, and OES, shall evaluate existing fleets to determine whether disposal of existing SUVs is cost-effective for the State.

Reporting

- DGS shall annually post on its website information on the nature of vehicles owned or leased by the State, and by each State office, agency, or department, including the following:
 - ✓ Number of passenger-type motor vehicles purchased or leased during the year, and total number owned or leased;

- ✓ Number of alternative fuel vehicles and hybrid vehicles purchased or leased during the year, and total number of alternative fuel vehicles and hybrid vehicles owned or leased;
- ✓ Number of SUVs purchased or leased during the year, and total number of SUVs owned or leased;
- ✓ Justification for all SUVs purchased or leased during the year;
- ✓ Number of SUVs purchased or leased during the year that are alternative fuel or hybrid vehicles, and total number of SUVs owned or leased that are alternative fuel or hybrid vehicles;
- ✓ Dollars spent on passenger-type vehicle purchases or leases, broken down by SUV and non-SUV, and within each of those categories, by alternative fuel, hybrid, and other.